

Message Text

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PAGE 01 TAIPEI 00911 01 OF 02 150753Z

ACTION EB-08

INFO OCT-01 EA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 IO-13 /115 W

-----020894 151237Z /20

R 150711Z FEB 78

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 6424

INFO AMEMBASSY TOKYO

AMEMBASSY SEOUL

LIMITED OFFICIAL USE SECTION 1 OF 2 TAIPEI 0911

E.O. 11652: N/A

TAGS: ETRD, EIND, ELEC, TW

SUBJECT: COLOR TV EXPORTS TO THE UNITED STATES -- JAPANESE
INVOLVEMENT IN TAIWAN

REF: STATE 016403

1. AN INTERIM RESPONSE TO REFTEL, THIS TELEGRAM REPORTS ON
JAPANESE DIRECT INVESTMENT IN THE TAIWAN COLOR TELEVISION
INDUSTRY, AND ON LICENSING LINKS WITH TAIWAN CTV MANUFACTURERS.
DATA HAVE BEEN COLLECTED FROM THE EMBASSY'S INDUSTRY SOURCES,
THE ROC INDUSTRIAL DEVELOPMENT BUREAU, AND SOME FIRMS DIRECTLY.
RESPONSES ARE KEYED TO QUESTIONS IN REFTEL WHERE APPROPRIATE.

2. A. HITACHI TELEVISION (TAIWAN) LTD.

B. HITACHI TAIWAN IS A WHOLLY-OWNED SUBSIDIARY OF HITACHI
OF JAPAN. ITS FACTORY IS LOCATED IN THE KAOHSIUNG
EXPORT PROCESSING ZONE.

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PAGE 02 TAIPEI 00911 01 OF 02 150753Z

C. 1977 PRODUCTION OF ABOUT 138,00 CTV SETS WAS ENTIRELY
FOR EXPORT, OF WHICH A LITTLE LESS THAN 130,000 WERE
EXPORTED TO THE UNITED STATES.

D. PRECISE BREAKDOWN OF EXPORTS BY SIZE IS NOT AVAILABLE,
THOUGH HITACHI'S PRODUCTION IS CONCENTRATED IN 19
INCH SIZE SETS, WITH SOME EXPORT OF 13 INCH AND 21

INCH SIZE SETS AS WELL.

3. A. MATSUSHITA TAIWAN (ALSO KNOWN AS NATIONAL TAIWAN)

B. MATSUSHITA TAIWAN IS A JOINT VENTURE, IN WHICH THE JAPANESE PARENT COMPANY OWNS 60 PERCENT OF THE STOCK SHARES, WHILE LOCAL INTERESTS OWN 40 PERCENT.

C. 1977 CTV PRODUCTION WAS ABOUT 55,000 SETS, OF WHICH OVER 50,000 WERE SOLD DOMESTICALLY. EXPORTS TO THE US WERE ABOUT 3,000 SETS. REPORTEDLY MOST SETS WERE COLOR "MONITORS" FOR USE WITH VIDEO TAPE RECORDERS, AND NOT "RECEIVERS."

D. MATSUSHITA EXPORTS 17 INCH AND 19 INCH MODEL CTV SETS.

NOTE: LOCAL SOURCES UNDERSTAND THAT MATSUSHITA MANUFACTURES LARGE SIZE CTV'S IN PUERTO RICO, MEDIUM SIZE CTV'S IN JAPAN, AND SMALL SIZE CTV'S IN KOREA. CTV PRODUCTION FOR XPORO IN TAIWAN IS SAID TO BE MAINLY SYMBOLIC, WITH THE PURPOSE OF RETAINING MATSUSHITA'S STATUS AS AN EXPORTER.

4. A. SANYO OF TAIWAN

B. SANYO TAIWAN IS A JOINT VENTURE, WITH STOCK SHARES 51 PERCENT OWNED BY TAIWAN INTERESTS, AND 49 PERCENT LIMITED OFFICIAL USE

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PAGE 03 TAIPEI 00911 01 OF 02 150753Z

BY THE JAPANESE PARENT COMPANY.

C. IN 1977 CTV PRODUCTION WAS BETWEEN 40 TO 5 THOUSAND SETS.

D. THOUGH IN 1977 SANYO TAIWAN FAILED TO EXPORT CTV'S, IT DID EXPORT CTV'S IN SMALL AMOUNTS PRIOR TO 1976. THE LOCAL PRESS REPORTED THAT SANYO TAIWAN HAD AGREED TO SUPPLY 10,000 15 INCH AND 19 INCH CTV'S FOR MARKETING IN U.S. BY SANYO JAPAN. CONTACTS AT THE IDB CONFIRM, HOWEVER, THAT SANYO WILL NOT EXPORT TO THE US IN 1978.

IN ADDITION TO DIRECT INVESTMENT, JAPANESE COMPANIES HAVE ALSO ALLEGEDLY ATTEMPTED TO EXPAND ESTABLISHED TECHNICAL LICENSING AGREEMENTS TO INCLUDE THE SHIPMENT OF CTV COMPONENTS TO TAIWAN AND EXPORT OF THE FINISHED CTV'S TO THE UNITED STATES UNDER SALES ARRANGEMENTS MADE THROUGH THE JAPANESE COMPANY'S MARKETING SYSTEM. APART FROM THE THREE JAPANESE PARENT FIRMS' LOCAL SUBSIDIARIES MENTIONED ABOVE, THERE ARE THREE MAJOR CHINESE-OWNED COMPANIES --TATUNG, SAMPO, AND UNITED ELECTRONICS-- WHICH

ARE BEST IN A POSITION TO CONCLUDE SUCH ASSEMBLY AGREEMENTS.

6. IN 1977 TATUNG EXPORTED ABOUT 10,000 CTV'S TO THE U.S.
FOR SALE BY THE TOSHIBA MARKETING NETWORK ACCORDING TO
FAIRLY RELIABLE INDUSTRY SOURCES. THESE SETS ARE IN
ADDITION TO THE 7,000 CTV'S TATUNG EXPORTED TO THE U.S.
UNDER ITS OWN LABEL. TATUNG SOURCES DENIED EARLIER REPORTS
OF LARGE SCALE CTV SHIPMENTS FOR TOSHIBA, ASSERTING THAT
TOSHIBA'S OFFERED PRICES SQUEEZED PROFIT MARGINS, AND THAT
TATUNG'S PRODUCTION CAPACITY WAS LIMITED. FURTHER, ONE
BOFT OFFICIAL HINTED TO AN EMBOFF THAT THE BOFT VETOED
THIS AGREEMENT. INDUSTRY SOURCES NOW SPEAK OF A NEW
TATUNG-TOSHIBA SUBCONTRACT ARRANGEMENT, BEGINNING IN
JANUARY 1978, UNDER WHICH TATUNG WILL SHIP CTV'S UNDER
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PAGE 04 TAIPEI 00911 01 OF 02 150753Z

PRIVATE LABEL DIRECT TO U.S. MASS MERCHANDISERS, BUT WITH
THE TOSHIBA QUALITY GUARANTEE. THE VOLUME IS MODEST,
HOWEVER, AMOUNTING TO JUST SEVERAL THOUSAND CTV SETS PER
MONTH.

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PAGE 01 TAIPEI 00911 02 OF 02 150756Z

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LIMITED OFFICIAL USE SECTION 2 OF 2 TAIPEI 0911

7. SAMPO HAS BEEN SIMILARLY APPROACHED BY SHARP OF JAPAN.

SAMPO OFFICIALS TOLD EMBOFF THAT SHARP HAD OFFERED A UUONTRACT XR ASSEMBLY AND EXPORT OF "SEVERAL THOUSAND" CTV'S PER MONTH TO THE U.S., IN ADDITION TO THOSE EXPORTED UNDER SAMPO'S OWN LABEL. THE GROC NOW HAS THE MATTER UNDER DISCUSSION. SAMPO PREVIOUSLY EXPORTED SHARP CTV'S DURING 1972 AND 1973.

8. UNITED ELECTRONICS, AN INDEPENDENT CHINESE-OWNED FIRM MAINTAINS THAT IT HAS NO SUCH ARRANGEMENTS WITH JAPANESE FIRMS. UE PRESIDENT WU SAID PROUDLY THAT UE CONDUCTED ONLY "ARMS LENGTH" PURCHASES OF KEY CTV COMPONENTS FROM JAPANESE FIRMS AND ITS OWN BRAND AND PRIVATE LABEL CTV'S ARE SOLD IN THE US. ONLY BY ITS MARKETING SUBSIDIARY IN NEW YORK.

9. COMMENT: IN OCTOBER 1977, THE ECONOMIC NEWS CAME OUT WITH A SENSATIONAL ARTICLE THAT SEVERAL TAIWAN FIRMS SIGNED SUBCONTRACTS WITH JAPANESE FIRMS TO ASSEMBLE AND SHIP WELL OVER 200,000 CTV'S PER YEAR TO THE UNITED STATES, LIMITED OFFICIAL USE

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PAGE 02 TAIPEI 00911 02 OF 02 150756Z

IN WHAT IT DESCRIBED AS AN OBVIOUS JAPANESE ATTEMPT TO CIRCUMVENT THE OMA'S RESTRICTIONS ON DIRECT CTV EXPORTS. IN HARD FACT, ONLY ONE FIRM APPEARS TO HAVE SIGFD A SUBCONTRACT '3.3.5, COVERING A MODEST NUMBER OF SETS FOR SHIPMENT TO PRIVATE LABEL PURCHASERS. THESE SHIPMENTS WILL FORM ONLY A SMALL PERCENTAGE OF TAIWAN'S TOTAL CTV EXPORTS TO THE UNITED STATES IN 1978, AS THE OVERWHELMING BULK OF CTV EXPORTS WILL COME FROM SUBSIDIARIES OF U.S. FIRMS. AS SEPTTEL POINTS OUT, THE GROC IS NOT INCLINED TO CONDONE CIRCUMBENTION OF THE OMA, WHICH MIGHT IRRITATE BILATERAL ECONOMIC RELATIONS AT A SENSITIVE TIME FOR THE FUTURE OF TAIWAN'S CTV EXPORT INDUSTRY. IN THIS REGARD, BOFT INTENSIVE SCRUTINY OF CTV-RELATED IMPORT AND EXPORT PERMITS WILL FURTHER DISCOURAGE THESE LOW PROFIT MARGIN SUBCONTRACT ARRANGEMENTS. UNGER

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